

Property Tax Payments, 2002-2003

- Warrick County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Warrick County from \$9.2 Million in 2002 to \$18.9 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Warrick County, state tax credits

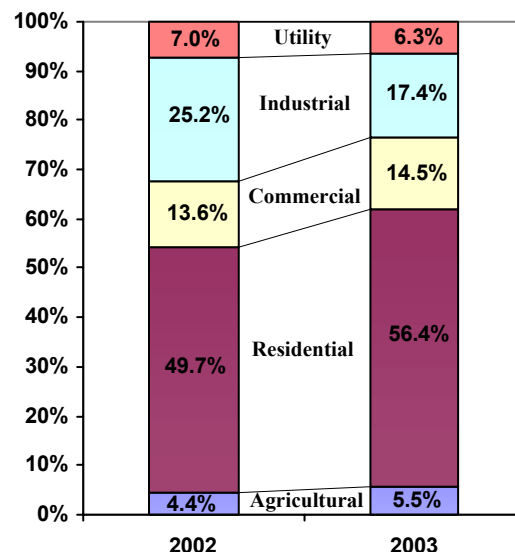
Table 1. Changes in AV and Tax Bills by Property Class for Warrick County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	87.7%	78.5%	30.8%
Residential (All)	90.0%	64.0%	20.3%
Homestead Only	84.0%	51.6%	10.5%
Commercial	53.1%	50.7%	13.1%
Industrial	-8.1%	-9.1%	-26.6%
Utility	15.3%	15.3%	-5.4%
Avg. All Classes	57.4%	41.2%	6.2%

increased from \$9.2 million to \$18.9 million, an increase of \$9.6 million. This paper provides a brief summary of how these factors changed property tax liabilities in Warrick County.

Tax Shifts. Warrick County saw a property tax shift from industrial and utility properties to commercial, residential, and agricultural property owners. Tax bills paid by residential, commercial, and agricultural property owners increased, while tax bills paid by industrial and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential, commercial and agricultural property increased more than the assessed values of industrial and utility property. Gross assessed values of agricultural and residential property increased by about 90%. Commercial assessments rose by half. Utility

Figure 1. Share of Net Property Tax Billings in Warrick County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

assessments rose much less, and industrial assessments actually declined. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Warrick County saw their tax bills increase by a smaller amount than the average residential property increase. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

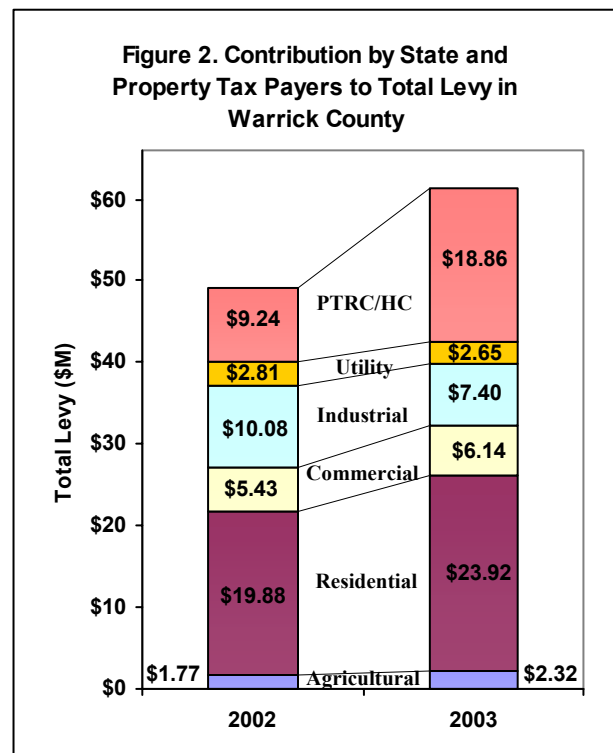
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Warrick County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Warrick County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	65.7%	47.6%	54.0%	29.9%
Decreased	34.3%	52.4%	46.0%	70.1%
Increased 100% or More	18.8%	4.5%	15.0%	3.1%
Decreased 25% or More	8.9%	10.5%	18.6%	26.4%
Average Change (\$)	\$96	\$30	-\$16	-\$121
Average Change (%)	12.6%	2.6%	-2.1%	-10.8%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, more than half of all residential property owners would have seen tax increases, and less than half would have seen tax decreases. For homesteads, more than two-thirds would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Warrick County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a small amount.



Business. Taxes on industrial and utility property fell in Warrick County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased utility assessments less, and industrial assessments actually decreased. The general rise in assessed values in Warrick County reduced tax rates, and this cut tax bills for owners of property with smaller assessment changes, like utilities and industries.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Warrick County by PTRC and state homestead credit payments increased by approximately 104%, from \$9.2 million to \$18.9 million.

Table 3 shows estimates of how Warrick County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Warrick County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for decreasing the taxes for commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Warrick County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	49.3%	30.8%	-18.5%
Residential (All)	62.4%	20.3%	-42.1%
Homestead Only	61.7%	10.5%	-51.2%
Commercial	16.8%	13.1%	-3.8%
Industrial	-25.2%	-26.6%	-1.4%
Utility	-10.6%	-5.4%	5.1%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Warrick County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	1,435,888,815	85,019,863	1,105,782,627	934,775,948	151,133,932	81,618,265	12,334,128
Real Deductions	130,305,149	3,582,968	117,371,525	117,371,525	4,860,654	4,490,002	0
Real Net Assessed Value	1,305,583,666	81,436,895	988,411,102	817,404,423	146,273,278	77,128,263	12,334,128
Personal Gross Assd. Value	629,913,106	6,294,430	4,557,210	0	85,551,287	411,855,405	121,654,773
Personal Deductions	896,860	0	8,420	0	885,440	3,000	0
Personal Net Assd. Value	629,016,246	6,294,430	4,548,790	0	84,665,847	411,852,405	121,654,773
Total Gross Assessed Value	2,065,801,921	91,314,293	1,110,339,837	934,775,948	236,685,219	493,473,670	133,988,901
Total Deductions	131,202,009	3,582,968	117,379,945	117,371,525	5,746,094	4,493,002	0
Total Net Assessed Value	1,934,599,912	87,731,325	992,959,892	817,404,423	230,939,125	488,980,668	133,988,901
Gross Levy	49,259,603	2,128,681	25,674,278	21,048,695	6,389,656	11,783,529	3,283,460
PTRC (Calculated)	7,228,152	308,274	3,772,432	3,087,404	963,809	1,706,910	476,727
State/County Homestead Cr. (Calculated)	2,071,845	49,606	2,022,238	2,022,238	0	0	0
Net Levy	39,959,607	1,770,800	19,879,608	15,939,053	5,425,847	10,076,619	2,806,733
Pay 2003							
Real Gross Assessed Value	2,662,887,940	164,899,943	2,104,055,952	1,720,439,778	255,030,693	124,359,780	14,541,571
Real Deductions	517,469,379	14,751,108	481,377,602	481,377,602	12,591,556	8,749,113	0
Real Net Assessed Value	2,145,418,561	150,148,835	1,622,678,350	1,239,062,176	242,439,137	115,610,667	14,541,571
Personal Gross Assd. Value	588,159,990	6,494,300	5,304,600	0	107,435,745	328,995,395	139,929,950
Personal Deductions	1,903,900	0	18,000	0	1,882,150	3,750	0
Personal Net Assd. Value	586,256,090	6,494,300	5,286,600	0	105,553,595	328,991,645	139,929,950
Total Gross Assessed Value	3,251,047,930	171,394,243	2,109,360,552	1,720,439,778	362,466,439	453,355,175	154,471,521
Total Deductions	519,373,279	14,751,108	481,395,602	481,377,602	14,473,706	8,752,863	0
Total Net Assessed Value	2,731,674,651	156,643,135	1,627,964,950	1,239,062,176	347,992,733	444,602,312	154,471,521
Gross Levy	61,338,559	3,358,961	36,776,887	27,867,407	8,254,783	9,590,828	3,357,100
PTRC (Calculated)	16,762,150	988,362	10,761,031	8,163,492	2,119,432	2,190,332	702,994
State/County Homestead Cr. (Calculated)	2,145,426	53,525	2,091,901	2,091,901	0	0	0
Net Levy	42,430,983	2,317,074	23,923,956	17,612,015	6,135,351	7,400,496	2,654,107

COMPARISONS

Net Levy Percent Change	6.2%	30.8%	20.3%	10.5%	13.1%	-26.6%	-5.4%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	85.5%	94.0%	90.3%	84.0%	68.7%	52.4%	17.9%
Gross Personal AV	-6.6%	3.2%	16.4%	0.0%	25.6%	-20.1%	15.0%
Total Gross Assessed Value	57.4%	87.7%	90.0%	84.0%	53.1%	-8.1%	15.3%
Net Assessed Value	41.2%	78.5%	64.0%	51.6%	50.7%	-9.1%	15.3%
Gross Levy	24.5%	57.8%	43.2%	32.4%	29.2%	-18.6%	2.2%
Net Levy	6.2%	30.8%	20.3%	10.5%	13.1%	-26.6%	-5.4%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	7,234,281	16,788,193	9,553,912	132.1%
State Homestead Cr. (Abstract)	2,003,493	2,072,440	68,947	3.4%
Total State Credits (Abstract)	9,237,775	18,860,633	9,622,859	104.2%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Warrick County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	1,770,800	2,317,074	546,274	30.8%	4.4%	5.5%	1.0%
Residential	19,879,608	23,923,956	4,044,348	20.3%	49.7%	56.4%	6.7%
Commercial	5,425,847	6,135,351	709,504	13.1%	13.6%	14.5%	0.9%
Industrial	10,076,619	7,400,496	-2,676,123	-26.6%	25.2%	17.4%	-7.8%
Utility	2,806,733	2,654,107	-152,626	-5.4%	7.0%	6.3%	-0.8%
Exempt	35,616	19,337	-16,279	-45.7%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	39,995,223	42,450,321	2,455,098	6.1%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	1,640,193	2,205,543	565,350	34.5%	4.1%	5.2%	1.1%
Residential	19,779,357	23,839,718	4,060,361	20.5%	49.5%	56.2%	6.7%
Commercial	3,477,860	4,089,767	611,907	17.6%	8.7%	9.6%	0.9%
Industrial	1,650,759	1,817,953	167,194	10.1%	4.1%	4.3%	0.2%
Utility	257,645	221,175	-36,470	-14.2%	0.6%	0.5%	-0.1%
Exempt	35,616	19,337	-16,279	-45.7%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	26,841,430	32,193,493	5,352,063	19.9%	67.1%	75.8%	8.7%
Agricultural Homesteads	495,154	590,473	95,319	19.3%	1.2%	1.4%	0.2%
Residential Homesteads	15,939,053	17,612,015	1,672,962	10.5%	39.9%	41.5%	1.6%
Total Homesteads	16,434,207	18,202,488	1,768,281	10.8%	41.1%	42.9%	1.8%
Non-Homestead Residential	3,840,305	6,227,703	2,387,398	62.2%	9.6%	14.7%	5.1%
Apartments (Over 4 Units)	701,923	853,357	151,434	21.6%	1.8%	2.0%	0.3%
<u>Personal Property Only</u>							
Agricultural	130,608	111,531	-19,077	-14.6%	0.3%	0.3%	-0.1%
Residential	100,251	84,238	-16,013	-16.0%	0.3%	0.2%	-0.1%
Commercial	1,947,987	2,045,585	97,598	5.0%	4.9%	4.8%	-0.1%
Industrial	8,425,860	5,582,543	-2,843,317	-33.7%	21.1%	13.2%	-7.9%
Utility	2,549,088	2,432,932	-116,156	-4.6%	6.4%	5.7%	-0.6%
Total	13,153,794	10,256,829	-2,896,965	-22.0%	32.9%	24.2%	-8.7%
Total Depreciables	11,694,326	8,437,322	-3,257,004	-27.9%	29.2%	19.9%	-9.4%
Total Inventory	1,359,217	1,735,268	376,051	27.7%	3.4%	4.1%	0.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,145,039	1,615,070	470,031	41.0%	2.9%	3.8%	0.9%
Ag Personal	130,608	111,531	-19,077	-14.6%	0.3%	0.3%	-0.1%
Total Ag Business	1,275,647	1,726,601	450,954	35.4%	3.2%	4.1%	0.9%
Ag Homesteads	495,154	590,473	95,319	19.3%	1.2%	1.4%	0.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Warrick County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	87,731,325	156,643,135	68,911,810	78.5%	4.5%	5.7%	1.2%
Residential	992,959,892	1,627,964,950	635,005,058	64.0%	51.3%	59.6%	8.3%
Commercial	230,939,125	347,992,733	117,053,608	50.7%	11.9%	12.7%	0.8%
Industrial	488,980,668	444,602,312	-44,378,356	-9.1%	25.3%	16.3%	-9.0%
Utility	133,988,901	154,471,521	20,482,620	15.3%	6.9%	5.7%	-1.3%
Exempt	1,668,270	1,233,400	-434,870	-26.1%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,936,268,181	2,732,908,051	796,639,870	41.1%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	81,436,895	150,148,835	68,711,940	84.4%	4.2%	5.5%	1.3%
Residential	988,411,102	1,622,678,350	634,267,248	64.2%	51.0%	59.4%	8.3%
Commercial	146,273,278	242,439,137	96,165,859	65.7%	7.6%	8.9%	1.3%
Industrial	77,128,263	115,610,667	38,482,404	49.9%	4.0%	4.2%	0.2%
Utility	12,334,128	14,541,571	2,207,443	17.9%	0.6%	0.5%	-0.1%
Exempt	1,668,270	1,233,400	-434,870	-26.1%	0.1%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,307,251,936	2,146,651,960	839,400,024	64.2%	67.5%	78.5%	11.0%
Agricultural Homesteads	26,191,136	42,894,814	16,703,678	63.8%	1.4%	1.6%	0.2%
Residential Homesteads	817,404,423	1,239,062,176	421,657,753	51.6%	42.2%	45.3%	3.1%
Total Homesteads	843,595,559	1,281,956,990	438,361,431	52.0%	43.6%	46.9%	3.3%
Non-Homestead Residential	171,006,679	383,616,174	212,609,495	124.3%	8.8%	14.0%	5.2%
Apartments (Over 4 Units)	29,254,384	50,689,989	21,435,605	73.3%	1.5%	1.9%	0.3%
<u>Personal Property Only</u>							
Agricultural	6,294,430	6,494,300	199,870	3.2%	0.3%	0.2%	-0.1%
Residential	4,548,790	5,286,600	737,810	16.2%	0.2%	0.2%	0.0%
Commercial	84,665,847	105,553,595	20,887,748	24.7%	4.4%	3.9%	-0.5%
Industrial	411,852,405	328,991,645	-82,860,760	-20.1%	21.3%	12.0%	-9.2%
Utility	121,654,773	139,929,950	18,275,177	15.0%	6.3%	5.1%	-1.2%
Total	629,016,245	586,256,090	-42,760,155	-6.8%	32.5%	21.5%	-11.0%
Total Depreciables	562,462,652	488,795,357	-73,667,295	-13.1%	29.0%	17.9%	-11.2%
Total Inventory	62,004,804	92,174,133	30,169,329	48.7%	3.2%	3.4%	0.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	55,245,760	107,254,021	52,008,261	94.1%	2.9%	3.9%	1.1%
Ag Personal	6,294,430	6,494,300	199,870	3.2%	0.3%	0.2%	-0.1%
Total Ag Business	61,540,190	113,748,321	52,208,131	84.8%	3.2%	4.2%	1.0%
Ag Homesteads	26,191,136	42,894,814	16,703,678	63.8%	1.4%	1.6%	0.2%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Warrick County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	106%	78%	30%	13%
Comparable Residential Real Prop.	82%	54%	13%	-2%
Comparable Homesteads	78%	42%	3%	-11%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	1,866	8.1%	139	1.1%	1,674	7.3%	115	0.9%
200% to	300%	667	2.9%	82	0.6%	529	2.3%	56	0.4%
100% to	200%	1,800	7.8%	365	2.8%	1,239	5.4%	239	1.8%
50% to	100%	2,687	11.7%	854	6.5%	2,266	9.8%	526	4.0%
25% to	50%	2,505	10.9%	1,395	10.7%	1,914	8.3%	759	5.8%
10% to	25%	2,073	9.0%	1,591	12.2%	1,740	7.5%	1,016	7.8%
5% to	10%	883	3.8%	751	5.7%	667	2.9%	495	3.8%
0 to	5%	2,662	11.5%	1,050	8.0%	2,413	10.5%	706	5.4%
0 to	-5%	1,258	5.5%	1,168	8.9%	889	3.9%	706	5.4%
-5% to	-10%	1,381	6.0%	1,302	10.0%	1,030	4.5%	888	6.8%
-10% to	-25%	3,229	14.0%	3,016	23.1%	4,402	19.1%	4,118	31.5%
-25% to	-50%	1,685	7.3%	1,237	9.5%	3,782	16.4%	3,214	24.6%
Below	-50%	362	1.6%	127	1.0%	513	2.2%	239	1.8%
		23,058	100.0%	13,077	100.0%	23,058	100.0%	13,077	100.0%
Parcels With Increases		15,143	65.7%	6,227	47.6%	12,442	54.0%	3,912	29.9%
Parcels With Reductions		7,915	34.3%	6,850	52.4%	10,616	46.0%	9,165	70.1%
Average \$ Change		\$96		\$30		-\$16		-\$121	
Average % Change		12.6%		2.6%		-2.1%		-10.8%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.